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Australia

Product Brief

Confectionery Products

2002

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Report Highlights:

Within the global confectionery market, Australia is ranked 11th for sugar confectionery consumption and 9th for chocolate. Nine out of ten people regularly consume confectionery from both the chocolate and sugar confectionery categories. Approximately 55 percent of confectionery sales are through supermarkets, with the remaining 45 percent sold through outlets such as milk-bars, convenience stores and specialty shops. New products are introduced fairly regularly to the Australian confectionery market; however highly innovative products are less common and this may be an area that offers opportunities for U.S. exporters to be successful in this market. In 2001, Australia was the 15th largest export market for U.S. confectionery products.

Includes PSD changes: No
Includes Trade Matrix: No
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Disclaimer: As a number of different sources were used to collate market information for this report, there are areas in which figures are slightly different. The magnitude of the differences is, in most cases, small and the provision of the data, even though slightly different, is to provide the U.S. exporter with the best possible picture of the Australian Confectionery Sector where omission may have provided less than that.

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Section I: Market Overview

- Australia has a population close to 19 million and an area almost as great as that of the United States (excluding Alaska), about 50 percent greater than Europe (excluding the former USSR) and 32 times greater than the United Kingdom.
- The Australian confectionery retail market is in the late growth stage of the life cycle. Two key factors expected to adversely impact domestic demand are the shifting patterns in age profiles and the dietary habits of consumers.ⁱ
- The confectionery industry is concentrated in the Australian states of New South Wales, Victoria and Queensland. In 2000-01, up to 83 percent of industry business entities were based in these eastern seaboard statesⁱⁱ
- Within the global confectionery market, Australia is ranked 11th in the world for sugar confectionery consumption and ninth for chocolate consumption.ⁱⁱⁱ
- In Australia, nine out of ten people regularly consume confectionery, 80 percent of which is consumed from both the chocolate and sugar confectionery categories.^{iv}
- The predominant retail food outlets in Australia are supermarket chains, wholesalers/warehouse clubs, discount department stores, convenience store chains and independents, gasoline stations, and independent supermarkets operating under banner groups.
- Approximately 55 percent of confectionery sales are through supermarkets. Supermarkets have been a growing market segment, which is of some concern to the industry, as this segment produces lower margins for manufacturers (due to their buying power) and offers fewer opportunities for impulse sales (compared to convenience stores).
- The remaining 45 percent of confectionery is sold through outlets such as milk-bars, convenience stores and specialty shops.
- The three major manufacturing players in the Australian confectionery market are multi-national companies -- Cadbury (UK & local) Nestle (Swiss) and Mars/Kenman (U.S. & local) and account for over 75 percent of the market.
- The Wrigley Company is in an unassailable position with 98 percent market share of the chewing gum market.
- New products are introduced fairly regularly in the Australian confectionery market, but highly innovative products are sporadic.
- Australia was the United States' 15th largest export market for 2001.^v

The following exchange rates were used to convert Australian dollars to US dollars for 1999-2002. The rates are averages of each year, provided by the Australian Foreign Exchange Service. All values are expressed in US dollars from this point in the report, unless otherwise stated.

	1999	2000	2001	2002
AUD/USD	0.64548	0.58114	0.51794	0.542344

The following table depicts the market size of the Australian confectionery market over the past three years. The figures include 100 percent of the grocery retailing and 75 percent of convenience stores and other end routes.

Table 1: The Australian Confectionery Market (million USD)

<i>Confectionery Segment</i>	MAT to June 2000	MAT to June 2001	MAT to June 2002
Total Confectionery	\$1,164	\$1,082	\$1,245
Growth rate USD	N/A	-7.0%	14.9%
Growth rate AUD	N/A	4.4%	9.7%
Total Chocolate	\$668	\$622	\$708
Growth rate USD	N/A	-6.8%	13.7%
Growth rate AUD	N/A	4.5%	8.6%
Total Sugar Confectionery	\$435	\$394	\$458
Growth rate USD	N/A	-9.3%	16.0%
Growth rate AUD	N/A	1.7%	10.8%
Total Chewing Gum	\$61	\$65	\$79
Growth rate USD	N/A	5.7%	22.5%
Growth rate AUD	N/A	18.6%	17.0%

Source: ACNielsen 2002.

Table 2: Advantages and Challenges for U.S. Exporters to the Australian Confectionery Market

Advantages	Challenges
Tariffs on imported confectionery, at five percent, are quite low.	The Australian dollar has depreciated against the U.S. dollar, making imports more expensive for Australian retailers and distributors.
The U.S. is the market leader in the snack food category, and close to Europe in the confectionery category.	The trend toward healthy eating in Australia has negatively affected sales of confectionery.
Australian consumers are experimental and are attracted to new ideas and innovations.	Since 2000, a 10 percent goods and services tax is applied to all confectionery goods.
An area that is currently performing poorly in the confectionery market is the children's section. Opportunities exist for those who can make innovative products for children.	U.S. merchandise exports to Australia were \$USD 10.9 billion in 2001, down 12.3 percent from 2000.
Australia's strong affiliation with American culture carries through to U.S. confectionery and food products.	The Australian New Zealand Food Standards Code requires mandatory labeling of products that are genetically modified (GM) or contain an ingredient that is GM.
Convenience stores and gasoline stations focus more on selling confectionery and snack foods than other products in their store, due to the high margin these products provide.	The GST was implemented in July 2000 on all but fresh produce and bread, increasing prices for consumers and decreasing demand of confectionery and other processed products.
Most consumers enjoy at least 2 or 3 different confectionery brands per week, with some extending to seven different brands.	

Section II: Market Sector opportunities and threats

A: Chain Supermarkets, Small Supermarkets, Super Stores, Banner Groups, Wholesalers

Entry Strategy

- Enter the market by finding a reputable appointed agent, distributor or import broker, preferably one that already works in the confectionery/food segment.
- Advertise your products.
- Selling to supermarkets will require payment of listing fees negotiated with wholesaler/retailer.
- Reinforce strong marketing skills with customer relationship management and promotion, and assist in merchandising.
- Exhibit at Australian food shows.
- Unique and innovative products may necessitate joining forces with a company situated in Australia to manufacture under license.

Market Size

- The following table identifies the size and growth of the Australian grocery-retailing sector. There are three major sub-sectors in confectionery: chocolate, sugar and chewing gum.

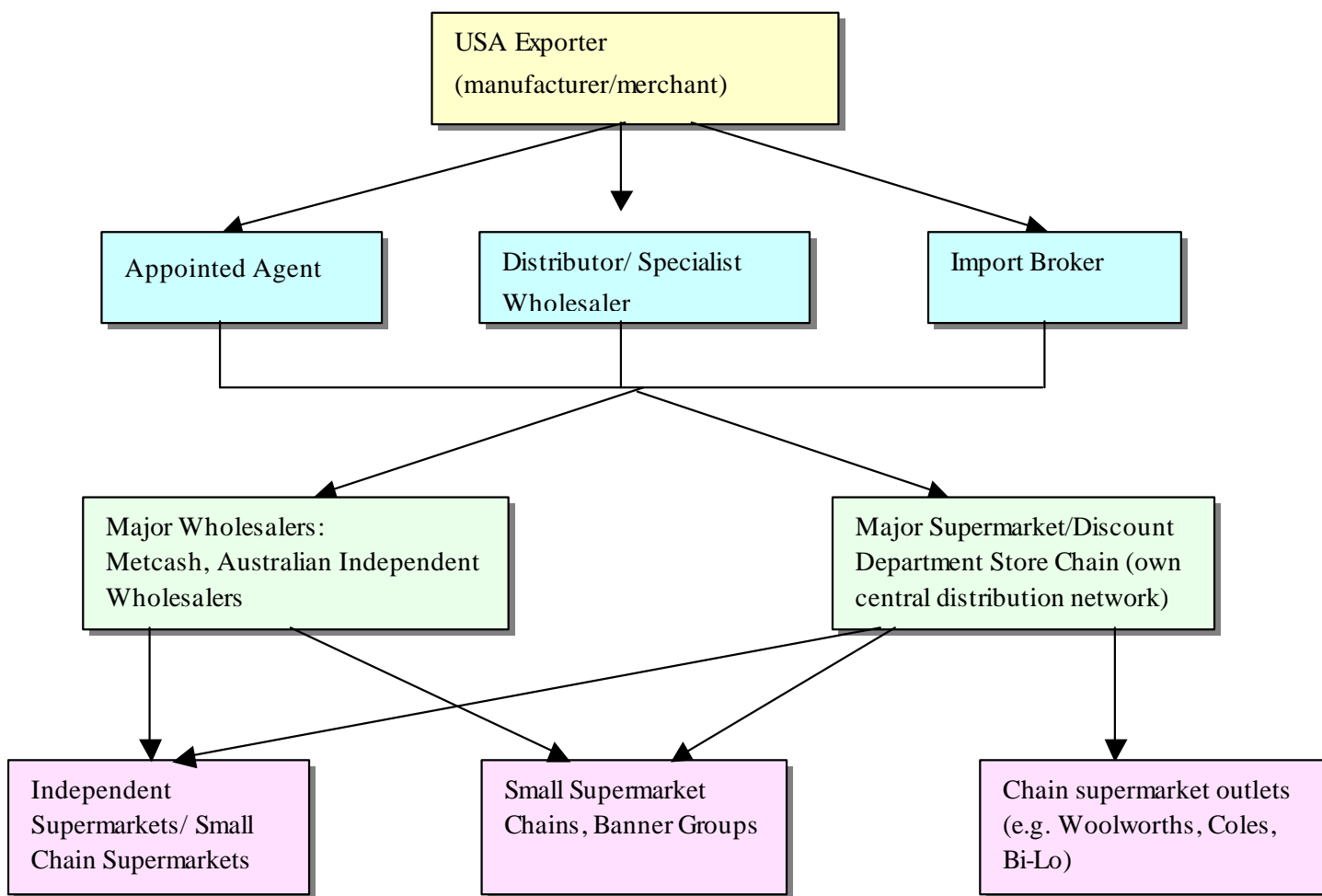
Table 3: Grocery Retailing Market Value and Growth

Description	2001 Million USD
Total Confectionery Retailing	\$556
Growth Rate AUD	7.9%
Sugars Confectionery Retailing	\$204
Growth Rate AUD	2.0%
Chocolate Confectionery Retailing	\$352
Growth Rate AUD	5.5%
Chewing Gum Confectionery Retailing	\$48
Growth Rate AUD	N/A

Source: Retail World 1999,2000,2002.

Structure

- The following flow chart displays the movement of confectionery from the United States through to the Australian retailer. In Australian grocery retailing, there are two major distribution channels: independent distributors and chain supermarket distributors. Small supermarket banner groups receive confectionery products from both distribution channels.

Figure 1: Confectionery Distribution Flow Chart for Grocery Retailers

Unique Distribution Structural Patterns

- Metcash has become the dominant wholesaler and distributor in Australia with the recent announcement that Australian Independent Wholesalers (AIW) will close down by the end of 2002.
- Many of the small supermarket chains and independent supermarkets are members of banner groups, to enhance their buying power and exposure vis-à-vis the major supermarket chains.
- Currently many of the smaller banner groups are discussing purchasing AIW to service the smaller supermarket and banner groups that do not have ties with Metcash.
- Internet sales, while slowly increasing, are not making a significant impact on sales, and therefore distribution. Coles Myer (Coles online) and Woolworths (Woolworths Online) are the two major online supermarkets. Both use their own distribution networks.

Foreign vs. Domestic Suppliers in the Confectionery Market

- The three major players in the confectionery market are international companies Cadbury (UK & local) Nestle (Swiss) and Mars/Kenman (U.S. & local), which combined account for over 75 percent of the Australian confectionery market.
- Since establishing a sales and marketing department in Australia in 1998, Swiss company Lindt has become the country's fastest growing boxed chocolate brand. Sales of Lindor balls have rocketed up to \$60 million in 2001, an increase of 50 percent over 2000 sales.^{vi}
- The consumer trend for luxury chocolates has seen many European brands enter the boxed chocolate market (e.g. Guylian, Lindt, Ferrero, Baci).

Company Profiles

- The following table provides a list of the major supermarket chains, small grocery market chains, discount department stores and wholesalers. Some turnovers for the smaller supermarkets are unavailable.
- The States of Australia are abbreviated as: VIC = Victoria, NSW= New South Wales, QLD= Queensland, SA= South Australia, WA= Western Australia, NT= Northern Territory, TAS= Tasmania, ACT= Australian Capital Territory.

Table 4: Major supermarket chains, small grocery supermarkets, wholesalers

Retailer Name and Outlet Type	Ownership	Sales (US \$ Mil)	No. of Outlets	Locations (city/ region)	Purchasing Agent Type
Chain Supermarkets/ Superstores					
Coles Myer Ltd: Coles New World, Bi-Lo, Newmart, Coles Express, Coles Online	Local	\$7,847	483 (Coles/Coles Express) 165 (Bilo)	National	Manufacturer Importer Agent
Woolworths: Woolworths, Safeway(VIC) Metro, Purity/Roelf Vos (TAS), Flemings, Food for Less.	Local	\$9,502	683	National (Purity in TAS, Safeway in VIC)	Manufacturer Importer Agent Wholesaler
Foodland Associated Limited	Local and New Zealand	\$570 (Australian operations only)	42 (Franklins) 31 (Action WA) 38 (Action QLD)	WA & QLD	FAL Warehouse/ Wholesaler
Pick 'n' Pay: Franklins supermarkets	South Africa/ Zimbabwe	\$1,750 **	70	Sydney	Metcash, Warehouse/ Wholesaler
Aldi	Germany	\$260	29	Sydney Metro, moving to Melbourne Metro	Manufacturer Warehouse

Smaller Chain and Banner Group Independent Grocery Supermarkets					
Metcash Trading Limited: IGA distribution, Campbells Cash & Carry.	South Africa and Local	\$3,150 (including wholesale business)	1,120 (IGA stores)	QLD, NSW, ACT, SA, VIC	Metcash Distribution, Warehouse/ Wholesaler
United Star Banner: 5 Star Supermarkets	Local	N/A	262	QLD, NT, NSW/ ACT	AIW QLD Warehouse/ Wholesaler
United Supermarkets: (Eudunda)	Local	\$25	22	South Australia	Wholesaler
Smaller Chain and Banner Group Independent Grocery Supermarkets					
Foodland Supermarkets (include Drake- owned supermarkets)	Local	\$1134	95	South Australia	Metcash/IGA Distribution Warehouse/ Wholesaler
FoodWorks Banner Group	Local	\$132	83	Victoria	Metcash Warehouse/ Wholesaler
Food-way Community Markets	Local	\$81	78	VIC and NSW	AIW Warehouse/ Wholesaler
Ritchies Stores, supermarkets	Local (under IGA banner)	(Under IGA profit)	18	Victoria	Metcash Warehouse/ Wholesaler
Discount Department Stores					
K Mart and Officeworks	Local	\$1,915	168	National	Manufacturer Importer Agent
Target	Local	\$1,262	137	National	Manufacturer Importer Agent
Big W	Local	\$1,122	97	National except TAS	Manufacturer Importer Agent Wholesaler
Specialized Confectionery Stores					
Darrell Lea Chocolates	Local	\$45	75 owned 320 (franchised)	National	Self- Manufacturer Distributor

Wholesalers					
Metcash: IGA distribution, Campbells Cash & Carry	South African and Local	\$3,350 (includes retailers)	Supplies over 4500 retailers	National	Importer Manufacturer Distributor Agent
Australian United Retailers (AUR) banner of QLD Food link, Food store, Buy-Rite and AUR Supermarket	Local	NA	141 stores, supplies to over 600 stores	QLD	Metcash Warehouse/ Wholesale

* Includes Liquor sales.

** Includes African operations also. Sole Australian figures unavailable.

The Number and Type of Outlets Opening

- Almost every aspect of Australia's food and grocery landscape was affected by takeovers or alliances in 2001.
- The break-up of Franklins was the main reason for strong growth between the two major supermarket chains, Woolworths and Coles. Woolworth's acquisition of 72 Franklin stores gave the company a 2.3 percentage points share gain, while Coles gained half a share point.^{vii}
- The break up of Franklins was more helpful for the independent and small grocery supermarkets.
- Foodland Associated Limited also gained value by acquiring 38 Franklins stores and re-branding them under the Action banner.
- Pick 'n' Pay, a South Africa/Zimbabwe owned company, acquired 50 Franklins stores, and 20 Fresco Supermarkets in the Sydney metropolitan region late in 2001. Pick 'n' Pay have re-branded the Fresco supermarkets to Franklins, and future growth from Pick 'n' Pay will be under the Franklins name.
- Aldi has become a formidable competitor, opening 29 stores in New South Wales by May 2002, and plans for 15 more stores in Victoria to be opened in 2003, and more stores in Queensland. Aldi currently has 1 percent of the NSW grocery market.^{viii}
- Food Works is planning on expanding from Victoria to WA, NSW, QLD, and SA under a growth plan.

Market Shares of Foreign vs. Domestically-Supplied Products

- In 2000-2001, wholesalers valued imports at \$189 million. Imports of confectionery have increased from supplying around 20 percent of domestic demand in 1995-1996 to 21 percent of demand in 2000-01.^{ix}

Internal and External Market Drivers

- The sugar free confectionery sector in the Australian grocery market is currently valued at A\$15.2 million, and is growing steadily.
- Consumers are demanding more innovative products in the confectionery market.

Customer Profile

- In the past few years there has been a change in consumer shopping patterns. Consumers are changing to quick short trips to their supermarkets, but are going more often. This has been influenced by extended trading hours in some states of Australia.
- About 62 percent of consumers spend less than an hour in shopping centers each time they visit, compared with 28 percent in 1998.
- 70 percent of all confectionery purchases are from impulse buys.^x
- While both men and women are enjoying their trips, shopping is still a very gendered activity with a 2:1 female:male ratio for grocery shopping.
- Woolworths claim that its customers have started to shop more frequently, particularly with a 'what's for dinner' type shop between 4pm and 6pm.^{xi}
- An ACNielsen report also reveals that consumers in Australia and around the world continue to be attracted to what is new in the market place. New innovations, such as functional food products (e.g. Viking guarana chocolate bars), have been successful in the current marketplace because they are simply new and different,^{xii} and they tap into the changing Australian consumer.

B. Convenience Stores, Gasoline Stations and other Distribution Channels

Entry Strategy

- Appoint an agent/distribution/import broker in Australia to ensure that there is availability of the product and substantial promotion.
- Utilize a similar entry strategy for supermarkets and small grocery retailers, except that the agent/distributor should target not only the major wholesaler category but also the major supermarket chains who are diversifying into convenience and gasoline station-stores.
- There are limited product lines due to the size of many stores. This is changing so to outplay competitors further marketing/promotion may be required for convenience stores.

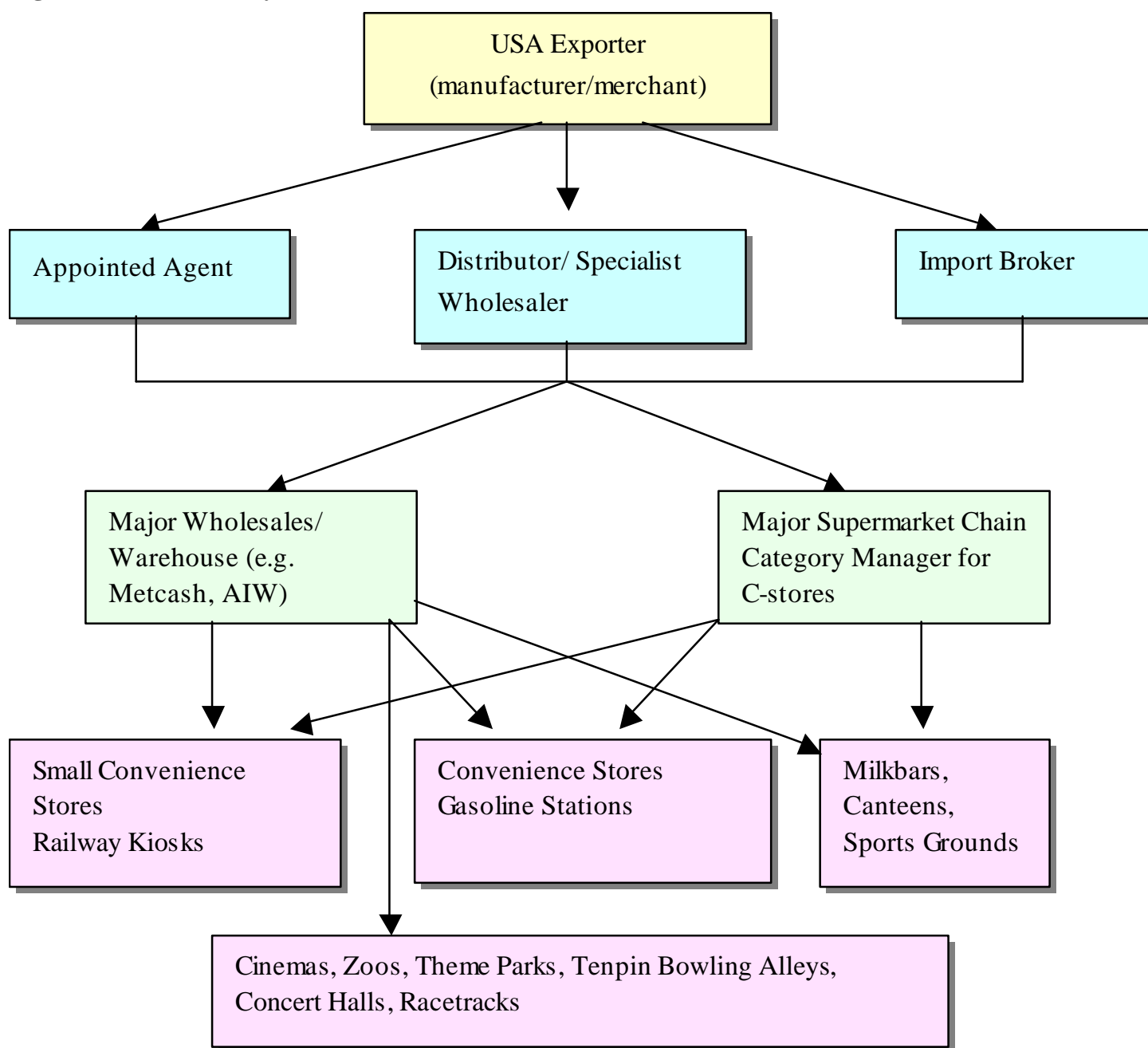
Table 5: Market Size of Confectionery in Convenience Stores

Description	2002 (Million USD)
Chocolate Confectionery	\$62.8
Chocolate Confectionery growth	N/A
Sugar Confectionery	\$57.1
Sugar Confectionery Growth	30%
Chewing Gum Confectionery	\$35.5*
Chewing gum growth	32%

* Estimate through ACNielsen data (2002).

Structure

- The following flow chart displays the movement of confectionery from the U.S. exporter to the convenience store/gasoline station retailer in Australia.

Figure 2: Confectionery Distribution Flow Chart for Convenience RetailersUnique Distribution Structural Patterns

- The two major supermarkets, Coles and Woolworths, have entered into the convenience store/gas station market. It is advised that appointed agents/distributor/import brokers should market and liaise with supermarket distributors as well as wholesalers to ensure that the entire market has been considered.

- School canteens and sportsgrounds may also buy directly from a retail store (e.g. a Coles supermarket) and then resell to their customers. These relationships depend on the size and profitability of the canteen/sportsground.
- Metcash is found to be the favored supplier for most gas stations and convenience stores, due to their relationship with store owners/managers on delivering the best product range on time.

Company Profile

- The following table provides information on the major convenience stores and gasoline stations in Australia.
- Please note that while other distribution channels were included in the flow chart, the profiles of all of the minor distribution channels are outside the scope of this report.

Table 6: Convenience Stores, Gasoline Stations and Combinations

Retailer Name and Outlet Type	Ownership	Sales (US\$ Mil)	No. of Outlets	Locations (city/region)	Purchasing Agent Type
7-Eleven	Local and U.S.	\$381	267	NSW, VIC, QLD	Wholesaler Manufacturer
Caltex Ampol: Star-Mart, Star Shop, Gas Stations.	50 percent offshore ownership	NA	174 Star Mart 231 Star Shop 386 Caltex Gas Stations.	National except NT	Wholesaler Distributor Manufacturer
BP Amoco: BP Express, 2- go stores, BP plus.	Local and UK	NA	158 BP Express, 2- go stores 446 Petrol Plus.	National	Wholesaler Manufacturer Distributor
Mobil Quix	U.S.	NA	118 Quix, 728 Shops/ Gas Stations	National	Wholesaler Manufacturer Distributor
Woolworths Plus Petrol	Local	\$405	166 (including. 69 ex Liberty Oil gas stations)	National	AIW Manufacturer Distributor
Shell Select	British/Dutch	NA	122 Shell Select Over 900 Shell Shop stores.	National	Wholesaler Manufacturer Distributor
City Convenience Stores	Local	NA	75	NSW	Wholesaler Manufacturer Distributor
Advance	Local	NA	59	VIC, TAS	Wholesaler Manufacturer Distributor
Nightowl	Local and independent franchise systems	NA	36	QLD, NSW	Manufacturer Distributors

Source: IBIS World, AACS State of the C-Store Industry 2001, Retail World, Apr 29-May 10 2002.

Number and Type of Outlets Opening

- Convenience stores now account for about 20 percent of the A\$4 billion annual food and beverage market.^{xiii} Convenience stores are predicted to grow at 15-20 percent until 2003, when there is expected to be a drop in growth to 2-3 percent.
- Barry Anderson, Executive Director of the Australasian Convenience Store Association predicts 3,000 convenience stores operating in Australia by 2008.
- 7 Eleven hopes to expand further, opening 28 to 30 more stores this year in Victoria, NSW and Queensland.^{xiv}
- Major supermarkets such as Woolworths and Coles are attempting to enter the gasoline station/convenience store distribution channel. Woolworths recently purchased 69 Liberty Oil (gasoline stations) in Victoria in a strategy to enter the Victorian convenience store market. These stores focus on pre-packaged and prepared meals and have a strong relationship with the supermarkets. Woolworths' consumers also receive special discounts at the convenience store from shopping at the Woolworths supermarkets.

Trends in the Sales of Imported vs. Domestic Product

- Similar to grocery and supermarket sectors, imports for confectionery were 21 percent of consumer demand in 2000-2001.^{xv}

Internal and External Market Drivers

- Convenience is one of the key priorities for time-poor consumers. Easy access to products at a convenience store/gasoline station is a great source of convenience.
- Price is often not an important factor for time-poor consumers and for that reason the contribution margin for convenience stores on confectionery is higher than that of grocery stores.

Customer Profile

- Confectionery customers are mostly in the middle-to high-income range, situated in the lower age brackets.
- Customers using private automobiles that require gasoline and a quick shop on the way home.
- The 24-49 year-old age group constitutes about two-thirds of all convenience store shoppers who buy confectionery.^{xvi}

C. Trends

Trends in Confectionery Segments

- Innovation and brand extension continue to grow confectionery worldwide, while an increase in more sophisticated confectionery products has also helped fuel growth.
- Confectionery accounts for up to five percent of the retail grocery business and more in convenience stores, where it is the third biggest seller behind cigarettes and soft drinks.^{xvii}
- Back-to-back innovation from The Wrigley Company has moved chewing gum from being merely a mouth refreshment to a functionally-based growth market.^{xviii}

- The largest category in confectionery, driving both growth and share, is chocolate blocks and to some extent chocolate bar share packs.^{xix}
- The only area that is not performing well, and is actually experiencing negative growth, is the children's section. The negative growth can be attributed to the lack of innovation.^{xx}
- With the advent of snacking-on-the-go and increased time pressures, single serve portions are expanding, providing a source of major financial growth for the industry.^{xxi}

Confectionery Consumer Trends

- A current problem for retailers is selling the reputation of confectionery by promoting the fact that it is a valuable part of the diet when eaten in moderation, like every other food group.
- In the confectionery category, consumers no longer show a need just to avoid fat and sugar, but are attached to products that deliver positive functional nutritional benefits, such as reducing the risk of disease and promoting physical and mental well being.^{xxii}
- Consumers have shown they no longer want to invest in empty calories and are searching for products that taste great, are better for them and can be consumed on the run.^{xxiii}
- Shoppers are browsing less and adopting a hit-and-run attitude at the local supermarket. About ten percent of people were shopping daily, up from only two percent in 1998, with approximately 48 percent shopping two to three times a week.^{xxiv}
- According to the ABS Household and Income and Expenditure Survey, in 1998-99 households in the top 10 percent of income earners spent 178 percent more on chocolate confectionery as compared to households in the bottom ten percent of income earners.
- The growth in convenience stores has arisen due to 24-hour service, great locations, easy access parking and easy access to essential items.

Trends in Distribution Channels

- In 1980, 35 percent of confectionery sales were sold through grocery stores. In 2000 this figure reached 53 percent.^{xxv}
- Distribution points in Australia are centralized. The major supermarket chains and wholesalers all operate their own distribution centers.
- Woolworths announced in April 2002 it would pull out of the wholesale market after the defection of their major customer, Victorian-based FoodWorks Supermarkets Group, to rival supplier Metcash Trading Ltd.^{xxvi}
- Two independent grocer banner groups with about 250 members between them are negotiating to buy AIW's warehouse assets in Victoria and Queensland with the intention of supplying their own members and possibly other independents.^{xxvii}
- Metcash has recently become the largest wholesaler in Australia, by acquiring Australian United Retailers.
- Pick 'n' Pay, A South Africa/Zimbabwe owned company, acquired 50 Franklins stores, and 20 Fresco Supermarkets in the Sydney metropolitan region late in 2001. Pick 'n' Pay have re-branded the Fresco supermarkets to Franklins, and future growth from Pick 'n' Pay will be under the Franklins name.
- Other department stores, such as David Jones, have entered the food and confectionery market. David Jones has opened four stores under the brand name "Foodchain." Foodchain will only hold approximately 400 product lines, to appear as more of a convenience store. With four stores opened in Victoria and New South Wales, David Jones plans to have 40 Foodchain stores in the next two years.

Section III: Costs and Prices

Tariff Rates, Tariff Rate Quotas and Import Duties

- Almost all of Australia's applied import tariffs are between zero and five per cent.

Duty Rates

- Rates of duty payable by an importer are determined by the classification of goods within the Australian Customs Tariff. Duty rates for confectionery are at five percent in 2002.^{xxviii}

Australian Quarantine & Inspection Service (AQIS) Inspection Rates

- Any food imported into Australia must first comply with quarantine requirements and then with Australia's food safety requirements.
- All imported goods must be classified into a category of risk (refer to section 4).
- Confectionery is deemed exempt from inspection, except where goods are found to be contaminated or infested. However random inspections are made on these goods, and importers must be prepared to pay for the costs of the inspection.
- Foods selected for AQIS clearance attract quite significant fees, US\$20 to secure release, US\$37 per half hour (or) to carry out an inspection and then the costs of analysis which can run into several hundred dollars.^{xxix}
- Products are also inspected by AQIS to make sure that they meet Australian labeling requirements. More information on these requirements can be obtained from the Foreign Agricultural Import Regulations and Standards (FAIRS) report submitted by this office. This report can be downloaded at:
<http://www.fas.usda.gov/scriptsw/attachrep/default.htm>.

Customs

- Currently US\$136 for goods imported by sea or air cargo and US\$542 for goods imported through the postal system per shipment.
- Most products are imported by sea.

Goods and Services Tax (GST)

- The Australian government imposes a GST of 10 percent on confectionery products.
- Confectionery is subject to the GST. Confectionery affected by the GST includes food that is marketed as confectionery, such as chocolate, candy, muesli bars and glace fruit. However candied peel is not considered to be confectionery.^{xxx}
- The following table provides a brief explanation of the types of fees incurred when importing products into Australia. The example shown is from Los Angeles to Melbourne by air. These prices would vary depending on the shipping point and destination.

Table 7: Costs of Importing Confectionery from USA to Australia

Transport	
Air Freight (Los Angeles to Melbourne)	USD \$2.26 per kg
Flat Rate	USD \$0.15 per kg
Security Folder Surcharge	USD \$35.00
Handling	USD \$25.00
Transfer Fee	USD \$10.00
Security Export Declaration	USD \$7.50
FAA Security	
Tariff Duty Rate	5% of invoice value
AQIS (quarantine) charge if required	USD\$20.33
Electronic Entry Charge	USD\$16.25
Trade Gate Charge	USD\$1.65
GST Charge	10% of invoice value and duty.
Clearance House Agency Fees	USD\$54.25
Cartage	USD\$135- \$189, depending on size
Cargo Unloading	USD\$108 - \$162, depending on size

Source: Industry Information

Retailing Costs

- Mark-ups occur through the wholesaling distribution and retailing distribution. In the convenience sector, retailers gross margin is approximately 40 percent.^{xxxi} Supermarket mark-ups would tend to be considerably less.
- Slotting fees and space management fees for confectionery products differ greatly in the market. The costs depends on the situation - the supplier, the product, the size of shelving it requires, possible promotion etc. Most of the time the slotting fees come down to negotiation between the buyer and sales representative. An approximate figure given by industry sources is that the slotting fee for one small line in 600 supermarkets would cost approximately USD\$2,712.
- The major chains, Coles Myer and Woolworths, due to their strong presence and domination in the food market, are able to charge higher prices than most for shelf space. Smaller grocers and independent supermarkets with less buying power would not charge as high a premium, and would stock store shelves more on consumer demand.
- The following table provides a typical price spread of competing domestic and imported products at their final point of sale. The table has been divided into different confectionery categories. It is important to note that some imported products are priced higher to attract a different target audience.

Table 8: Price Spread at Final POS: Domestic vs. Imported Products in AUD*

Category	Domestic Product Final Price**	Imported Product Final Price
Chocolate Blocks	\$2.59 (150g)	\$2.69 (200g)
Chocolate Bars	\$1.20 (white chocolate)	\$1.42 (white chocolate)
Sugar Confectionery	\$2.25 (sour snakes)	\$1.44 (snakes)
Chewing Gum	\$1.12 (whitening gum)	N/A (Wrigley domination of 98%)

* Prices at September 5 2002.

** Manufactured and distributed in Australia. Not necessarily Australian owned.

Section IV: Market Access

- The following section details the significant tariff and non-tariff import barriers of confectionery products.

Export Controls from the United States

- Most export transactions do not require specific approval from the U.S. Government. For the confectionery market, a license is unnecessary.

Food Law

- All food imported into Australia must first comply with the requirements of the *Quarantine Act 1908* as applicable and then the requirement of the Imported Food Control Act 1992 for matters relating to food safety, which AQIS has regulatory responsibility for in the monitoring of imported food.^{xxxii}
- Food imported into Australia must comply fully with the Joint Australia New Zealand Food Standards Code. A copy of the Joint Code is available on the Food Standards Australia New Zealand web site at: <http://www.foodstandards.gov.au/foodstandards/>.
- Genetically modified products are also affected by food law. From December 2001, all genetically modified food products on sale in Australia and New Zealand - either as whole food or as an ingredient- must note the GM status on the label of the final food product.^{xxxiii}
- More information on Australian food law requirements can be obtained from the Foreign Agricultural Import Regulations and Standards (FAIRS) report submitted by this office. This report can be downloaded at: <http://www.fas.usda.gov/attachrep/default.htm>

Import Regulation, Standards and Procedures

- All foods sold in Australia must comply with a range of laws designed to protect public health and safety and to assist consumers.^{xxxiv}
- When any food is imported into Australia, it must first comply with quarantine requirements and then with Australia's food safety requirements. To satisfy quarantine requirements it may be necessary for importers of certain foods to obtain a "Permit to Import Quarantine Material". Confectionery does not require an import permit.

Customs

- All goods imported into Australia must be cleared by Customs, whether they are imported by air, sea or mail. Importers are responsible for obtaining a formal Customs clearance for consignments of goods above set value limits (currently AUD\$250 for goods imported by sea or air cargo and AUD\$1000 for goods imported through the postal system). This can be accomplished by lodging a formal Customs entry (can be accessed electronically through www.customs.gov.au).

- Generally, all commercial imports require a formal entry to be lodged with the Australian Customs Service (ACS). This process can be undertaken either manually at a Customs office, or electronically through authorized access to the ACS Commercial Systems. The ACS does not complete customs import entries on behalf of importers.
- Entries may be lodged by importers or their Customs brokers. When the details are lodged through the internationally recognized tariff classification system, AQIS asks Customs to identify and select food in these entries according to the food's classification. Products could possibly then be inspected.

Imported Food Inspection

- Foreign country exporters and importers based in Australia will find that Australia's control over food safety and food standards requirement are generally straightforward and provided some basic rules are followed, disruption to the entry of food from a food safety perspective is minimal.^{xxxv}
- All exporters/importers based in Australia must classify their imported products into a category of risk. There are three categories of food inspection:
 - *Risk categorized foods*: Foods that have a medium to high potential risk of contamination/defects of food safety. These products have the highest frequency of inspection
 - *Active surveillance category food*: Foods posing some concern, but requiring further information before a decision on whether or not to classify them as a risk. Ten percent of U.S. shipments designated as active surveillance foods are referred for inspection. **This is one of the most common categories for confectionery products**, due to possibility of lead contamination.
 - *Random surveillance category foods*: Foods of the lowest intensity of inspection. Inspection rates are generally fixed at 5 – 10 percent of all consignments of such foods, selected at random.
- Where a shipment of food in these categories has failed an Australian food standard on inspection or analysis, a Holding Order is applied to that product from the manufacturer and country identified.
- All incoming shipments of food must be declared to the ACS using the international harmonized tariff classifications.^{xxxvi}
- Foods selected for AQIS inspection attract quite significant fees: USD\$20 to secure release, USD\$37 per half hour to carry out an inspection and then the costs of analysis which can run into several hundred dollars.^{xxxvii} To avoid these costs, AQIS encourages exporters to enter into arrangements with the food inspection agency in their country to obtain certification to accompany each consignment attesting to compliance with Australian requirements. Foods accompanied by completed certificates from approved agencies are quickly cleared through the customs barrier, assuming quarantine requirements are met.

Labeling

- Check the FAIRS report listed in the Food Law section above for more detailed information on labeling. Below are some basic points.

- The Australian New Zealand Food Standards Code requires that labels be placed on all confectionery products before reselling. As well as checking quarantine requirements are met, the AQIS inspector will ensure that the following requirements of the Food Standards Code in regards to labeling are met, i.e. the label must:
 - Be in English
 - Have an accurate trade description
 - Have manufacturer/importer details
 - Have the country of origin declared
 - Have batch/lot codes
 - Have use by dates (in Australian date format, i.e. day/month/year)
 - Have net weight – contents
 - Have a statement of ingredients (where appropriate)
 - Have obligatory warning statements, as required
- From December 2002, Australia will require nutritional labeling on all confectionery products, including fat content (total and saturated), sodium, carbohydrate use and protein and energy.
- The label must also state any genetically modified ingredients within the product.

Section V: Key Contacts and Further Information

Import and Government Regulation Information

- Food standards information can be obtained from the Food Standards Council website at <http://www.foodstandards.gov.au>
- Food law and policy information can be found from the <http://www.ausfoodnews.com.au> website.
- The Australian Quarantine and Inspection Service (AQIS) has information on the conditions of importing food into the Australian market on their website, <http://www.aqis.gov.au/>
- Australian Customs Service provides information on import regulations, warehousing, which can be attained from their website at www.customs.gov.au
- Further information on GST in Australia can be found at the Australian Tax Office website at: www.ato.gov.au, or contact the Info Line on 011-61-3-13 24 78 (for U.S. caller).
- The Foreign Agricultural Import Regulations and Standards report can be downloaded at: <http://www.fas.usda.gov/attachrep/default.htm>

Industry Information

- Australian Food & Grocery Council
Level 2, Salvation Army Building
2-4 Brisbane Avenue
Barton, ACT, 2000
Australia
Tel: +61 2 6273 1466
Fax: +61 2 6273 1477
Email: info@afgc.org.au
Website: www.afgc.org.au
- Australian Retailer's Association
1st Floor, 20 York Street
Sydney, NSW 2000
Australia
Tel: +61 2 9299 6245
Fax: +61 2 9290 7102
Website: www.ara.com.au
- Confectionery Manufacturers Association
Tel: +61 3 9813 1600
Fax: +61 3 9882 5473
Email: cma@candy.net.au
Website: www.candy.net.au

- Food & Beverage Importers Association
181 Drummond Street
Carlton VIC 3053
Australia
Tel: +61 3 9639 3644
Fax: +61 3 9639 0638
- National Confectionery Wholesalers
Suite 43, 255 Drummond St
Carlton VIC 3053
Australia
Tel: +61 3 9349 9800
Fax: +61 3 9349 9899
Website: www.ncw.com.au

Trade Services

- Annual trade show in Australia, with over 220 exhibitors.

September 9-12, 2003 -- Fine Food Australia, "Australian International Food & Drink Exhibition" (includes the Supermarket & Hotel show), Sydney Exhibition & Convention Centre. Go to www.finefoodaustralia.com.au for details.

FAS/USDA Contact in Australia

- Agricultural Counselor
US Embassy
Moonah Place
Yarralumla ACT 2600
Australia
Tel: +61-2-6214-5854
Fax: +61-2-6273-1656
Email: AgCanberra@usda.gov

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